

Message Text

LIMITED OFFICIAL USE

PAGE 01 MEXICO 12775 071500Z
ACTION ARA-14

INFO OCT-01 ISO-00 SP-02 ICA-11 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00
COME-00 FRB-03 INR-10 NSAE-00 XMB-02 OPIC-03
LAB-04 SIL-01 DOE-15 SOE-02 AGR-01 PA-01 HA-05
/117 W

-----121290 072306Z /70

R 071442Z AUG 78
FM AMEMBASSY MEXICO
TO SECSTATE WASHDC 1870

LIMITED OFFICIAL USE MEXICO 12775

EO 11652: N/A
TAGS: EIND, MX
SUBJECT: MEXICAN INDUSTRIAL DEVELOPMENT POLICY

1. SPEAKING EXTEMPORANEOUSLY BEFORE THE ANNUAL MEETING OF THE U.S.-MEXICO CHAMBER OF COMMERCE, DR. NATAN WARMAN (SUBSECRETARIO DE FOMENTO INDUSTRIAL, SECRETARIA DE PATRIMONIO Y FOMENTO INDUSTRIAL) FOCUSED ON WHAT HE CONSIDERED TO HAVE BEEN THE TWO CARDINAL ERRORS IN PAST MEXICAN INDUSTRIAL DEVELOPMENT POLICY. IN PREFACING THE ANALYSIS HE SPENT A CONSIDERABLE TIME ON THE PROBLEMS OF PRICE INFLATION IN MEXICO AND THE DISTORTIONS INDUCED IN THE ECONOMY BY THIS PHENOMENON.

2. THE FIRST MAJOR MISTAKE IN PAST MEXICAN DEVELOPMENT POLICY WAS AN INSUFFICIENT ATTENTION TO EXPORT CAPACITY. TOO MUCH EMPHASIS HAD BEEN GIVEN TO INTERNAL PRODUCTION WITH ONLY 15 CENTAVOS OF EACH PESO OF NATIONAL PRODUCT BEING GENERATED BY EXPORTS. "THIS IS AN ERROR WE CANNOT CONTINUE." FURTHER, HE ARGUED THAT PETROLEUM COULD NOT BE AN EXCUSE FOR NOT DEVELOPING A WORLD COMPETITIVE
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MEXICO 12775 071500Z

INDUSTRIAL CAPACITY.

3. RETURNING TO THE PROBLEM OF MEXICAN PRICE INFLATION, WARMAN OBSERVED THAT THE INFLATIONARY PROCESS WAS AFFECTED BY HIGH-COST, SMALL-SCALE PRODUCTION COMPOUNDED BY WORLD INFLATIONARY TENDENCIES.

4. THE SECOND MAJOR MISTAKE OF PAST MEXICAN INDUSTRIAL DEVELOPMENT POLICY WAS TO BE FOUND IN THE LACK OF PRIORITIES IN THE IMPORT SUBSTITUTION PROCESS. REFLECTING ON THE OLDER SIMPLISTIC VIEW THAT MERELY SUBSTITUTING IMPORTS WITH LOCAL PRODUCTION WAS, IN ITSELF, A DESIRABLE END MEXICO HAD BEEN BURDENED WITH AN AD HOC HIGH COST PRODUCTION OF GOODS. ARTICLES WHICH WERE MOSTLY NON-COMPETITIVE IN WORLD MARKETS AND QUITE COSTLY TO THE LOCAL MARKET. THE INFLATIONARY IMPACT ON THE MEXICAN ECONOMY WAS CONSIDERABLE.

5. FOR THE FUTURE WARMAN NOTED THAT TWO MAJOR CRITERIA WOULD BE CONDITIONING IN THE INDUSTRIAL DEVELOPMENT POLICY OF MEXICO: A) EXPORT CAPABILITY AND B) RAPID JOB CREATION. ADDITIONALLY THERE WOULD BE A SECTORAL AND REGIONAL FOCUS ON THE PRIORITIES. FROM A SECTORAL VIEW, A CAPITAL GOODS ORIENTATION WOULD BECOME INCREASINGLY VISIBLE. ALSO, THE ENERGY SECTOR WOULD BE OF HIGHEST PRIORITY. REGIONAL DEVELOPMENT, HE NOTED, WILL BE STRESSED WITH THE "MACROCEPHALIC" GROWTH EVIDENT IN THE FEDERAL DISTRICT AND ENVIRONS, MONTERREY AND GUADALAJARA NO LONGER SUPPORTABLE; CLEAR PRIORITY WILL BE GIVEN TO THE MORE BACKWARD AREAS (PARTICULARLY IN THE SOUTH AND THE TABASCO-CHIAPAS REGION).

6. TOOLS WHICH WILL BE UTILIZED IN THE NEW INDUSTRIAL LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 MEXICO 12775 071500Z

DEVELOPMENT POLICY WILL INCLUDE THE TRADITIONAL FISCAL AND CREDIT POLICY MEASURES, SUPPLEMENTED BY DIFFERENTIAL PRICING IN SUCH INPUTS AS GAS AND FUEL OIL. WARMAN STRESSED THAT MEXICO DID NOT WANT TO BECOME AN EXPORTER OF PETROLEUM, BUT RATHER OF PETROLEUM PRODUCTS.

7. WITHIN THE FRAMEWORK OF THE NEW INDUSTRIAL DEVELOPMENT POLICY, FOREIGN INVESTMENT WILL BE SUBJECTED TO THE SAME CRITERIA AS MEXICAN CAPITAL. IN THE CONTEXT OF THESE REMARKS, WARMAN WENT ON TO A THEME WHICH HE HAS ELABORATED PREVIOUSLY. THERE EXIST "MONOPOLISTIC TENDENCIES" IN MEXICO WHICH RESULT IN AN EXCESSIVE DEGREE OF VERTICAL INTEGRATION AND WHICH ENGENDER "SOCIAL INEFFICIENCIES". THEREFORE, IT IS IMPORTANT THAT SMALL AND MEDIUM SIZE INDUSTRY BE ENCOURAGED IN ORDER TO CORRECT SOCIAL IMBALANCES.

8. IN HIS NEXT BREATH, NEVERTHELESS, WARMAN APPARENTLY RECOGNIZED THE INCONSISTENCY BETWEEN HIS ARGUMENTS FOR LOW-COST, WORLD COMPETITIVE INDUSTRY AND THE DESIRE FOR A PROLIFERATION OF SMALL AND MEDIUM SIZE INDUSTRY WHICH WOULD PROVIDE MANY NEW JOBS. "WE CANNOT ASK FOR

JOB INCREASE AS A CRITERIA IN THE PETROLEUM AND
PETROCHEMICAL INDUSTRY. WE WOULDN'T
HAVE ONE..."

9. COMMENT: MUCH OF THIS SPEECH WAS A REHASH OF THE
JULY 12 TALK HE GAVE BEFORE THE COUNCIL OF THE AMERICAS
SEMINAR "MEXICO--IMPLEMENTATION OF FOREIGN INVESTMENT,
TECHNOLOGY TRANSFER, AND PATENT/TRADEMARK LEGISLATION.
LUCEY

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INDUSTRIAL DEVELOPMENT, POLICIES, SPEECHES
Control Number: n/a
Copy: SINGLE
Draft Date: 07 aug 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978MEXICO12775
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780323-0560
Format: TEL
From: MEXICO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780892/aaaaczeb.tel
Line Count: 124
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: e06b9a67-c288-dd11-92da-001cc4696bcc
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1820539
Secure: OPEN
Status: NATIVE
Subject: MEXICAN INDUSTRIAL DEVELOPMENT POLICY
TAGS: EIND, MX, (WARMAN, NATAN)
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/e06b9a67-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014